

## **AUDIT SUMMARY**

Our audit of the Department of Correctional Education for the two-year period ended June 30, 1998 found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving the internal control structure and its operation that we consider material weaknesses, and
- no instances of noncompliance that are required to be reported.

February 23, 1998

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Correctional Education** for the two-year period ended June 30, 1998. We conducted our audit in accordance with generally accepted government auditing standards.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to review the adequacy of the Department of Correctional Education's (Correctional Education) internal control structure, test compliance with applicable laws and regulations, and evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures  
Revenues  
Fixed Assets

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether Correctional Education's policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

Correctional Education's management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Audit Conclusions

We found that Correctional Education properly stated, in all material aspects, the amounts recorded in the Commonwealth Accounting and Reporting System. Correctional Education records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and Correctional Education's records.

We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that may be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to Correctional Education's financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations found no instances of noncompliance that are required to report under Government Auditing Standards.

AUDITOR OF PUBLIC ACCOUNTS

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## AGENCY BACKGROUND AND FINANCIAL HIGHLIGHTS

The Board of Correctional Education (the Board) establishes and maintains a general system of schools for persons committed to institutions operated by the Departments of Corrections and Juvenile Justice. The Department of Correctional Education (Correctional Education) uses a school district model providing both academic and vocational education opportunities for youths and adults.

Educational programs seek to develop student knowledge, skills, and attitudes to facilitate successful community adjustment and enhance employment opportunities. The Board, functioning like a local school board, and the Superintendent of Schools directs the operations of Correctional Education.

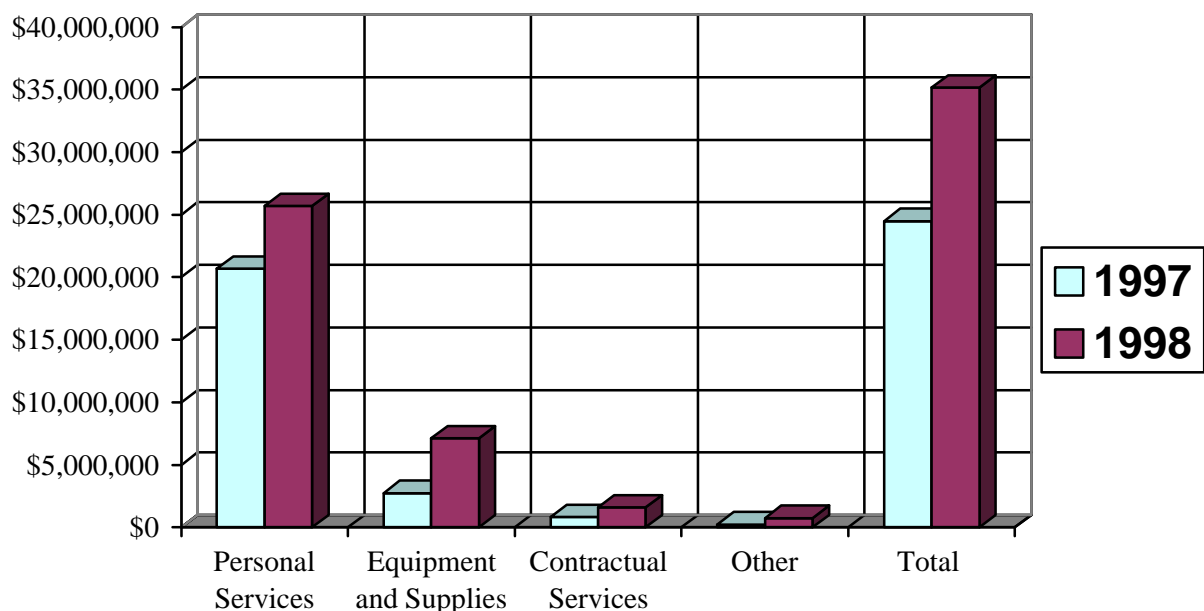
Correctional Education received alternative school accreditation by the State Board of Education in the Fall of 1997 and has since established goals to educate youths based on the new Standards of Learning (SOL) implemented by the State Board of Education. During fiscal year 1998, Correctional Education added 184 teacher positions to better meet these standards and is actively pursuing the filling of each position.

Correctional Education also opened two juvenile and three adult educational units within the Bon Air Expansion, Beaumont Maximum Security, Fluvanna, Red Onion, and Sussex I facilities during fiscal year 1998. Early in fiscal 1999, the Wallens Ridge and Sussex II adult educational units opened. Correctional Education plans to open another juvenile educational unit in Culpeper in March 1999.

### Financial Highlights

Correctional Education's funding totaled \$26.3 million and \$35.9 million in fiscal years 1997 and 1998, respectively. General Fund appropriations represented 93 percent and 95 percent of the funding sources in each year with the remaining funding coming from federal grants and other sources related to educational activities. The proportion of General Fund appropriations in relation to all funding has remained relatively constant in recent years.

Comparison of 1997 and 1998 Expenditures



Personnel Services represents salary, wages, and fringe benefit costs for Correctional Education's employees. Computer, educational, and office equipment purchases represent the majority of equipment and supplies expenses; while training, technical services, and telecommunication services make up the majority of contractual services. Building and equipment rentals account for the majority of other expenses. The increases in expenses from fiscal year 1997 to 1998 relate directly to the implementation of SOL requirements and opening of new facilities in fiscal year 1998.